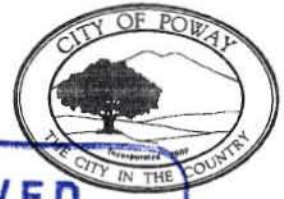


CITY OF POWAY

MICKEY CAFAGNA, Mayor
BOB EMERY, Deputy Mayor
MERRILEE BOYACK, Councilmember
DON HIGGINSON, Councilmember
BETTY REXFORD, Councilmember



May 23, 2008



Robert Grossman
Group Managing Director
U.S. Public Finance
Fitch Ratings
33 Whitehall Street, 27th Floor
New York, NY 10002

Dear Mr. Grossman:

The current system of assigning credit ratings to bonds issued by governmental entities, which provide essential services to the public, leads to indefensible market discrimination against state and local municipal issuers. The rating agencies' own studies show that the likelihood of default by municipal borrowers is much lower than for corporate borrowers with similar ratings.

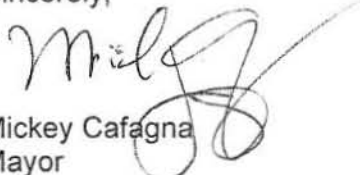
Ratings should be based on an evaluation of the likelihood investors will suffer a loss due to default. Unfortunately, for municipal bonds, they are not. This practice costs taxpayers enormous amounts of money that could be invested in public programs and infrastructure.

On May 20, 2008, the City Council of the City of Poway adopted the attached resolution urging bond rating agencies to eliminate the current discrimination against municipal bonds. The City Council urges Fitch Ratings to treat taxpayers and municipal bonds the same as corporations and corporate bonds, by rating all bonds based on the risk of loss due to default.

Finally, we urge you to do this by creating a unified, global rating approach that treats all issuers equally, thereby better serving taxpayers and investors.

Thank you for your prompt attention to this matter.

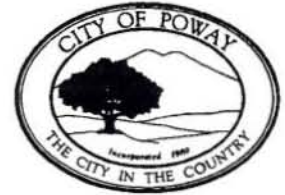
Sincerely,


Mickey Cafagna
Mayor

cc: Members of the City Council
Penny Riley, Assistant City Manager
Chris McKenzie, Executive Director, League of California Cities
Bill Lockyer, Treasurer, State of California

CITY OF POWAY

MICKEY CAFAGNA, Mayor
BOB EMERY, Deputy Mayor
MERRILEE BOYACK, Councilmember
DON HIGGINSON, Councilmember
BETTY REXFORD, Councilmember



May 23, 2008

Gail Sussman
Group Managing Director
Public Finance
Moody's Investors Service
250 Greenwich Street
New York, NY 10007

Dear Ms. Sussman:

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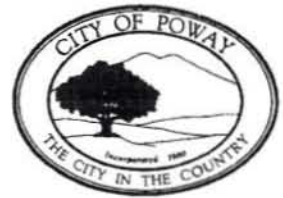
Sincerely,

M. 
Mickey Cafagna
Mayor

cc: Members of the City Council
Penny Riley, Assistant City Manager
Chris McKenzie, Executive Director, League of California Cities
Bill Lockyer, Treasurer, State of California

CITY OF POWAY

MICKEY CAFAGNA, Mayor
BOB EMERY, Deputy Mayor
MERRILEE BOYACK, Councilmember
DON HIGGINSON, Councilmember
BETTY REXFORD, Councilmember



May 23, 2008

William Montrone
Head
U.S. Public Finance Department
Standard & Poor's
55 Water Street
New York, NY 10041

Dear Mr. Montrone:

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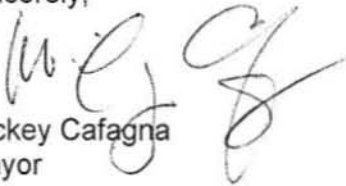
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Mickey Cafagna
Mayor

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Penny Riley, Assistant City Manager
Chris McKenzie, Executive Director, League of California Cities
Bill Lockyer, Treasurer, State of California

City Hall Located at 13325 Civic Center Drive
Mailing Address: P.O. Box 789, Poway, California 92074-0789 • (858) 668-4400

RESOLUTION NO. 08-028

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF POWAY, CALIFORNIA
SUPPORTING REFORM OF THE BOND RATING SYSTEM
TO ELIMINATE DISCRIMINATION AGAINST MUNICIPAL BONDS

WHEREAS, the recent turmoil in the municipal bond markets has brought into focus the higher standards imposed by the three major bond rating agencies in rating municipal bonds compared to corporate bonds, mortgage-backed securities and other debt instruments; and

WHEREAS, issuers of municipal bonds rarely default on the bonds they sell to finance streets and roads, public buildings, bridges, flood protection and water systems, and other critical infrastructure, yet municipal bond rating fail to reflect that fact; and

WHEREAS, despite the relative default rates shown by their own data, the rating agencies continue to discriminate against municipal issuers, requiring public agencies to secure expensive bond insurance in order to secure bond ratings comparable to those of private corporations; and

WHEREAS, the rating agencies base their ratings of corporate bonds on the risk the issuer will default. In contrast, their ratings of municipal bonds have little relationship to the risk of default. This difference provides a substantial economic benefit at the expense of taxpayers across the nation; and

WHEREAS, a coalition of state and local public agencies, led by California State Treasurer Bill Lockyer, has called on the three major rating agencies to examine their practices and treat municipal bonds on par with corporate bonds that expose investors to the same level of risk; and

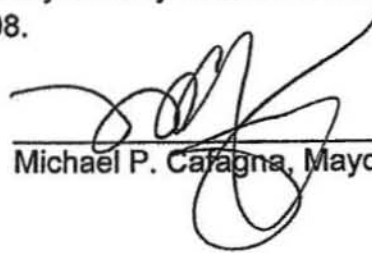
WHEREAS, the current double-standard by rating agencies 1) drains billions of dollars from taxpayers' pockets in the form of unfairly high interest rates; 2) forces taxpayers to pay even more money to buy bond insurance they would not have to purchase if municipal bond ratings reflected the risk of default; 3) misleads investors by inflating the risk of buying municipal bonds; and 4) undermines the effective functioning of a transparent market.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Poway calls on the major municipal bond agencies to end the double standard in the treatment of municipal and corporate bonds; to treat taxpayers the same as

corporations and rate municipal bonds based on the risk of default; and to create a unified, global rating approach that treats all issuers equally and better serves taxpayers and investors.

RESOLVED FURTHER, that the City Manager is hereby directed to notify the municipal bond rating agencies by letter of the adoption of this resolution, with a copy to California State Treasurer Bill Lockyer, and to register the City as a member of the coalition of public agencies supporting the nationwide campaign to reform how bond rating agencies grade state and local bonds.

PASSED, ADOPTED, AND APPROVED by the City Council of the City of Poway at the regular meeting this 20th day of May 2008.



Michael P. Caragna, Mayor

ATTEST:



Salam Hasenin, City Clerk